SIGMA PHARMACEUTICALS LIMITED

FULL YEAR RESULTS TO 31 JANUARY 2017
ANNOUNCED 23 MARCH 2017

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IMPORTANT NOTICE

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This presentation also contains certain non-IFRS measures that Sigma believe are relevant and appropriate for the understanding of the financial results.

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OVERVIEW

MARK HOOPER, CEO AND MANAGING DIRECTOR

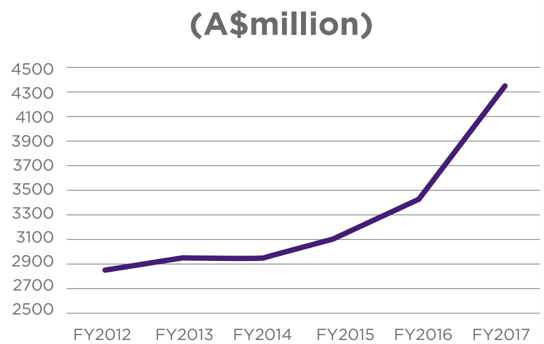
UNDERLYING EBIT EXCEEDS $100M / ROIC STRONG

FY17 HIGHLIGHTS

Revenue

$4.37
billion

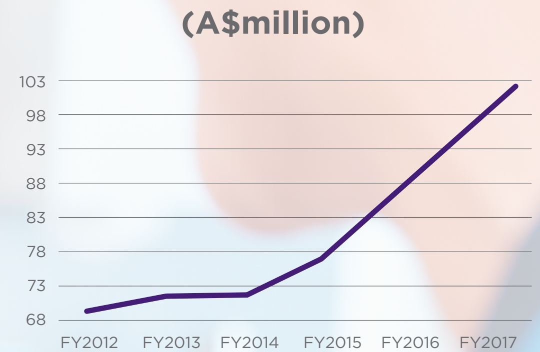
Up 26.2%



EBIT#

$100.2
million

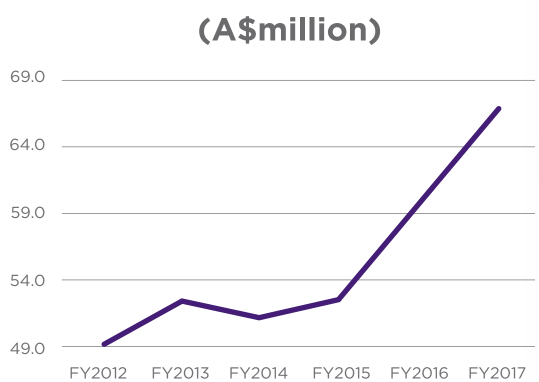
Up 12.4%



NPAT#

$66.9
million

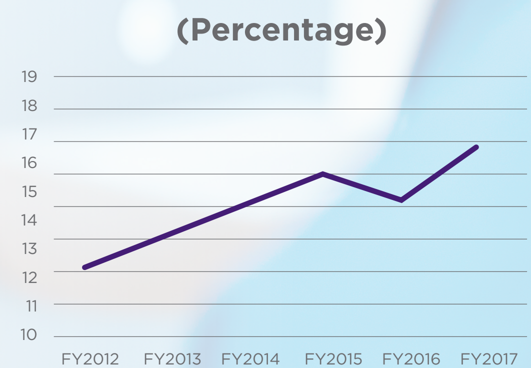
Up 13.0%



ROIC#

16.8
percent

Up from
14.6%



Reported EBIT was $80.9m and reported NPAT was $53.2m.
Both were impacted by the one off insurance premium recovery and doubtful debt provision.

Underlying. Refer to Appendix 2 for a reconciliation of Reported to Underlying

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WE DELIVER ON OUR PROMISES

PROMISE	DELIVERED	
Grow EBIT by at least 5% for the next two years	• FY17 Underlying# EBIT up 12.4% • Confirm previous guidance of at least 5% underlying EBIT growth for FY18	✓
Grow non PBS earnings	• Non-PBS revenue up 10.2% • Other revenue up 9.7% to $77.2m	✓
Maintain strong balance sheet	• Net debt of $8.7m • Continued capacity to invest to support pharmacy customers and reward shareholders	✓
Improve capital management	• Cash Conversion Cycle improved by 20 days (15 days excluding Hep C) – now at a record low • Underlying ROIC# improved to 16.8%	✓
Reward shareholders	• Final Dividend of 3.0 cents brings total for the year to 5.5 cents per share, up from 5.0 cents • Share price up 44% from 1 Feb 16 to 31 Jan 17	✓

Refer to Appendix 2 for a reconciliation of Reported to Underlying

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FINANCIAL PERFORMANCE

IONA MACPHERSON, CFO

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UNDERLYING EBIT SURPASSES $100M

- Organic growth and Other Revenue continue to drive Profit growth
- Reported Operating Costs include $11.4m one off insurance settlement and doubtful debt provision of $8.3m
- EBIT margin diluted by high cost / low margin Hepatitis C sales

	Reported	Underlying#			
$m	FY 2017	FY 2017	FY 2016	Variance	% Change
Sales Revenue	4,366.2	**4,366.2**	3,461.1	905.1	26.2%
Gross Profit	289.5	**289.5**	263.4	26.1	9.9%
Other Revenue	77.2	**77.2**	70.3	6.9	9.7%
Operating Costs[3]	-277.5	**-257.9**	-235.9	22.0	9.3%
Depreciation & Amortisation	-8.3	**-8.3**	-9.0	0.7	7.8%
Other[2]	-	**-0.3**	0.3	-	n/a
EBIT	80.9	**100.2**[1]	89.2[1]	11.0	12.4%
EBIT Margin	1.85%	**2.29%**	2.57%	0.21%	n/a
Net financial expense	-4.3	**-4.3**	-3.5	0.8	22.8%
Tax expense	-23.2	**-29.3**	-26.4	2.9	11.0
NPAT[1]	53.2	**66.9**	59.2	7.7	13.0%

1. After Non-controlling interests
2. Other includes equity accounted investments and NCI
3. Underlying excludes one off insurance and one off debt provision
Refer to Appendix 2 for a reconciliation of Reported to Underlying

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REVENUE GROWTH DRIVERS

	Reported	Underlying#			
$m	FY 2017	FY 2017	FY 2016	Variance	% Change
Sales Revenue	4,366.2	**4,366.2**	3,461.1	905.1	26.2%
Other Revenue	77.2	**77.2**	70.3	6.9	9.7%

Sales Revenue - Up 26.2% to $4.37 bn

- Blended total revenue up 6.3% excluding Hep C
  - OTC revenue up 10.2%
  - PBS revenue up 4.3%
- Like for like sales to Sigma branded pharmacies **up 8.2%** (excl. Hep C)

Other Revenue - Up 9.7% to $77.2m

- Higher service income streams across the broader business
- Improved outcomes from merchandise and marketing activities
- Non-PBS revenue now represents over 36% of total revenue (excl. Hep C)

Refer to Appendix 2 for a reconciliation of Reported to Underlying

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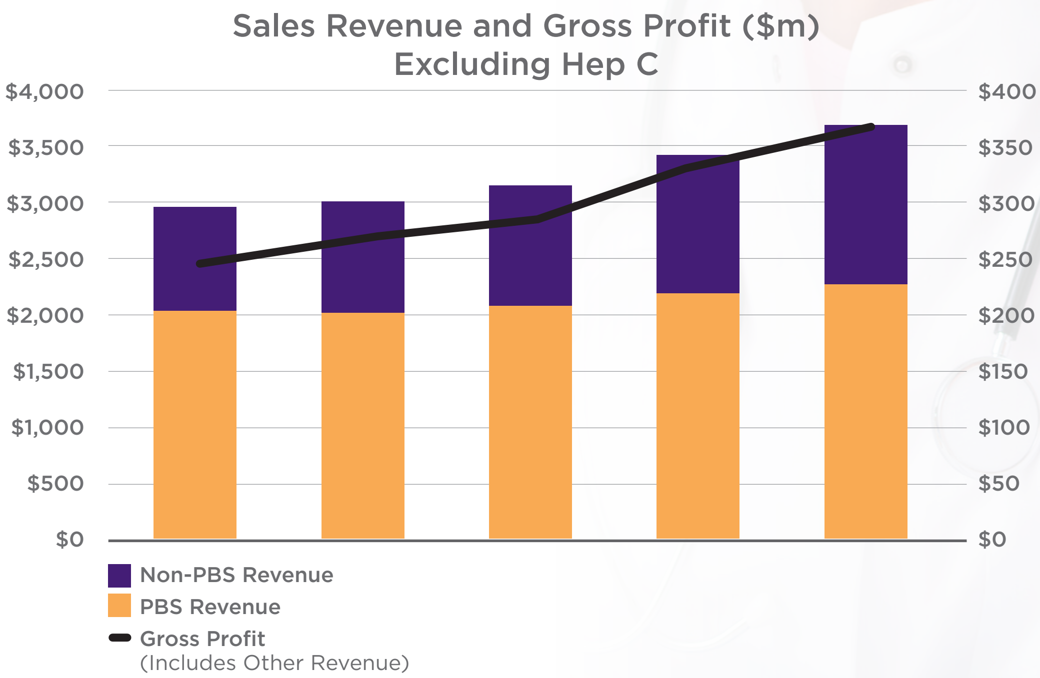
GROSS PROFIT BENEFITS FROM EARNINGS MIX

Gross Profit

- Up 9.9% (incl Hep C) and 9.0% (excl Hep C)
- Gross Profit margin (excl Hep C) up from 7.6% to 7.8%



Strategy continues to target 50% of earnings from non-PBS activities

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INVESTING FOR GROWTH

	Reported	Underlying#			
$m	**FY 2017**	**FY 2017**	**FY 2016**	**Variance**	**% Change**
Operating costs	-277.5	**-257.9**	-235.9	22.0	9.3%

Warehouse and Delivery + $8.4m to $131.3m

- Largely labour cost increases due to:
  - Volume growth of 4.0%
  - EBA increases, partly offset by productivity gains
  - Expanded operations (new CHS sites)
- Redundancy costs from closure of Rockhampton DC

Sales and Marketing + $6.5m to $67.7m

- Ongoing investment in programs to support brands

Administration + $7.2m to $58.9m

- Investment in people and systems to drive business development, and Project Renew to drive transformational change
- Investment in IT products and services
- Legal costs

Refer to Appendix 2 for a reconciliation of Reported to Underlying

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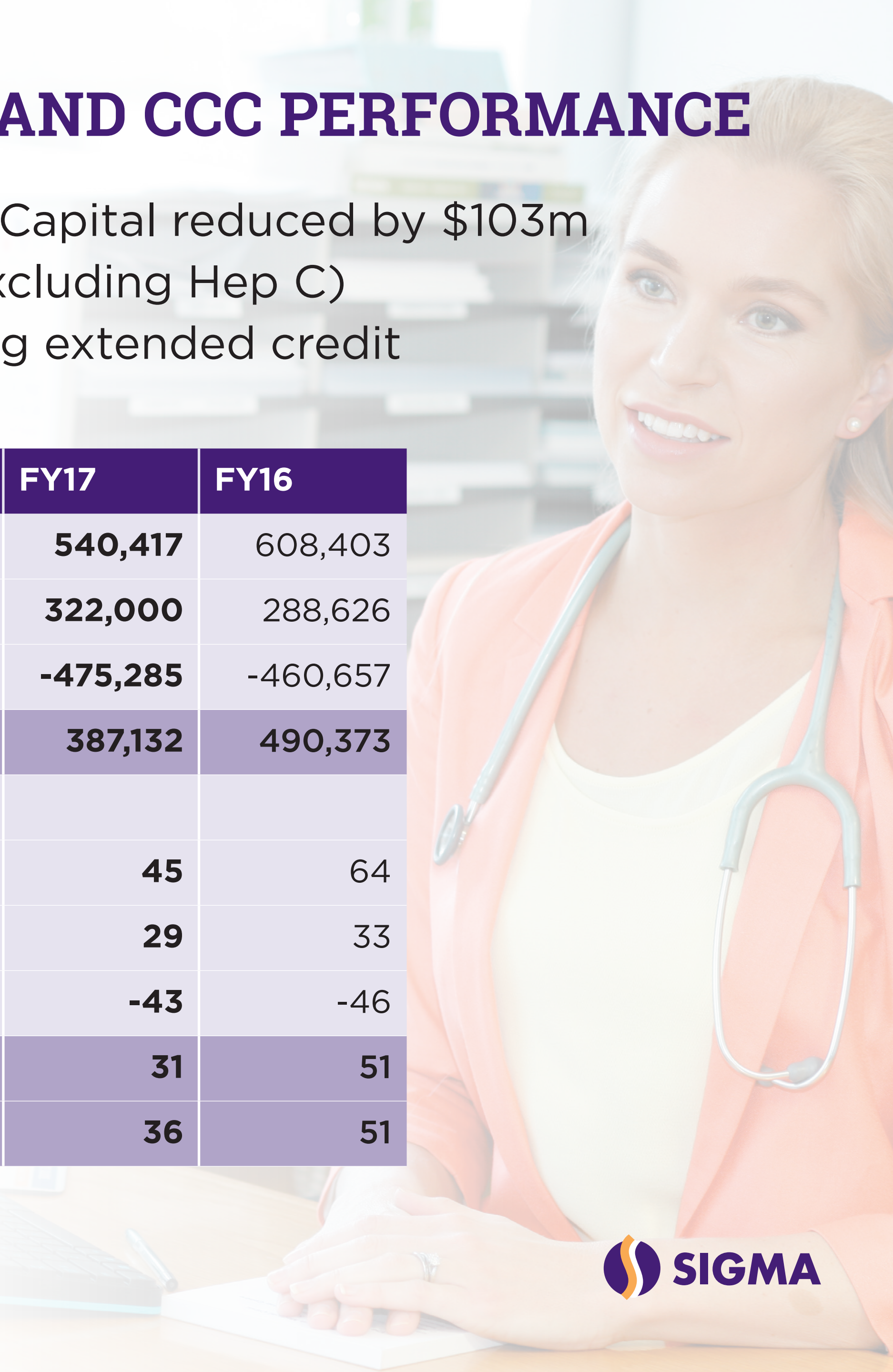
RECORD WORKING CAPITAL AND CCC PERFORMANCE

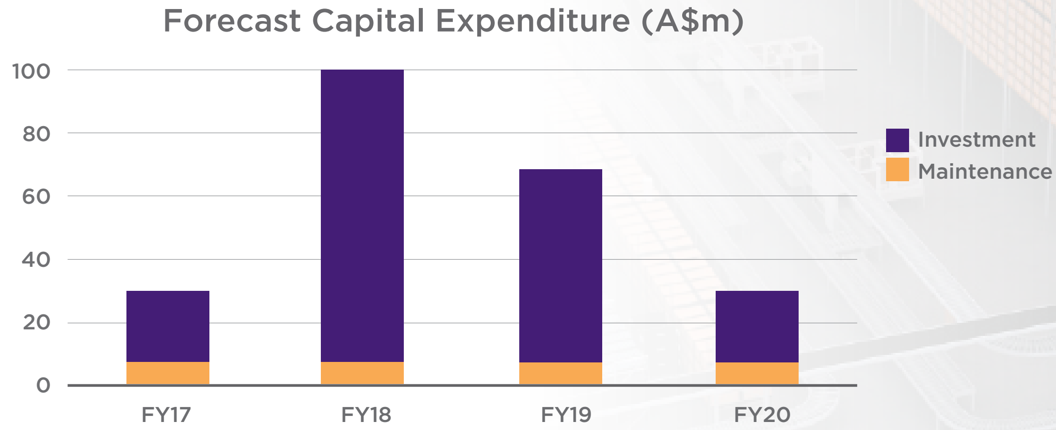
- Despite 26% sales growth, Working Capital reduced by $103m
- CCC reduced by 20 days (15 days excluding Hep C)
- Reflects continued focus on reducing extended credit

$m	FY17	FY16
Trade Debtors	**540,417**	608,403
Inventory	**322,000**	288,626
Trade Creditors	**-475,285**	-460,657
Working Cap $'m	**387,132**	**490,373**
Days sales outstanding (DSO)	**45**	64
Days inventory outstanding (DIO)	**29**	33
Days payables outstanding (DPO)	**-43**	-46
CCC Days	**31**	**51**
CCC Days (Excluding Hep C)	**36**	**51**



CAPEX TO SUPPORT AN EFFICIENT FUTURE

- Capex of $30m in FY17, largely driven by Berrinba investment
- Land acquired in Canning Vale WA in February 2017, with capex to build over the next 18 months
- Strong financial returns from automation – circa 5 year payback
- FY18 also includes investment in IT systems to support customers



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REWARDING SHAREHOLDERS

Final dividend

- Maintained at 3.0 cents per share (fully franked)
- Improved full year dividend of 5.5c per share up from 5.0c per share (fully franked)
- Payout ratio 89% of Underlying# NPAT
- Equates to a fully franked yield of over 6.4%*

EPS accretive share buy-back

- Buy back still operative
- Board have refreshed the program to allow an additional 10%

Balance sheet strength

- Net debt of only $8.7m
- Capacity to support ongoing investment
- Liaising with banks to establish longer term debt structure to match our investment profile

Refer to Appendix 2 for a reconciliation of Reported to Underlying
* Based on a share price of $1.22

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OPERATIONAL PERFORMANCE

MARK HOOPER, CEO AND MANAGING DIRECTOR

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STRONG LIKE FOR LIKE SALES

- Like for Like sales to Sigma branded pharmacies **up 8.2%** (excluding Hep C)
- 700 branded pharmacies across Australia representing around 20% of consumer spend
- Continued strong emphasis on brand consistency

INTEGRATED ENGAGEMENT

Sigma has invested in turnkey solutions that arm our pharmacy members with the tools, training, knowledge and know how to differentiate our brands.

Centralisation

- Leveraging infrastructure across brands to reduce overheads and to deliver better coordination & control

Market facing flexibility

- Tailored solutions to suit different brand propositions

IT Landscape

- One system for all brands across

NEXT GENERATION RETAIL PLATFORM

Investing in a Microsoft cloud solution to provide a leading integrated platform for pharmacy management – Dispensing, POSBOS, Retail Management and Professional Services

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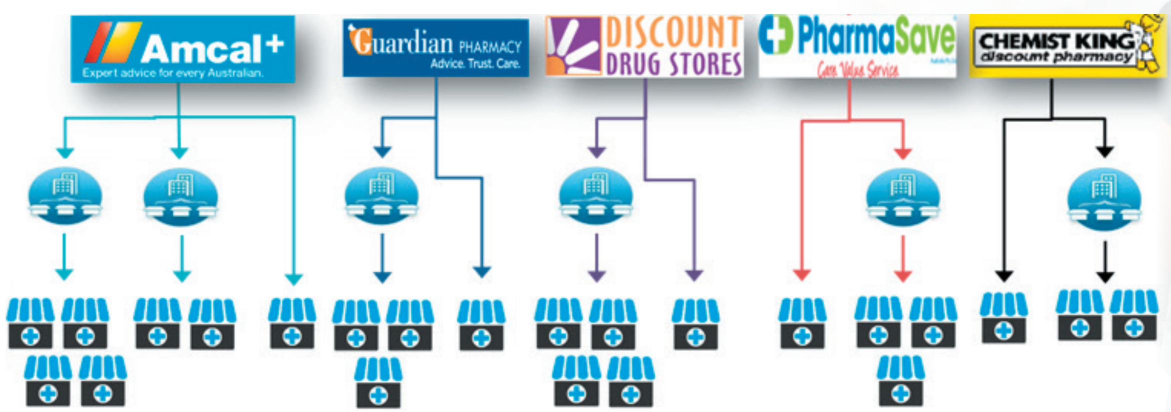
ngrp powered by FREDNXT

FRED IT GROUP

ONE SYSTEM, DISTINCT BRAND VIEWS

Multi Store

Individual Stores



Unified view of customers

Reduced cost of doing business

Stock management insights and support

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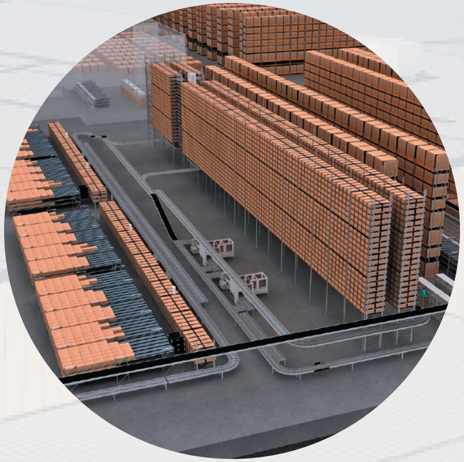
DC INVESTMENT UPDATE

- Queensland DC
  - Construction on track
  - Expected to be operational towards the end of FY2018
  - $65m capital expenditure (including land)
  - Some additional transition costs will be incurred including for duplicate facilities



- Western Australia DC
  - Land acquired in Canning Vale
  - Construction to commence by May 2017
  - Approx $55m investment (including land)

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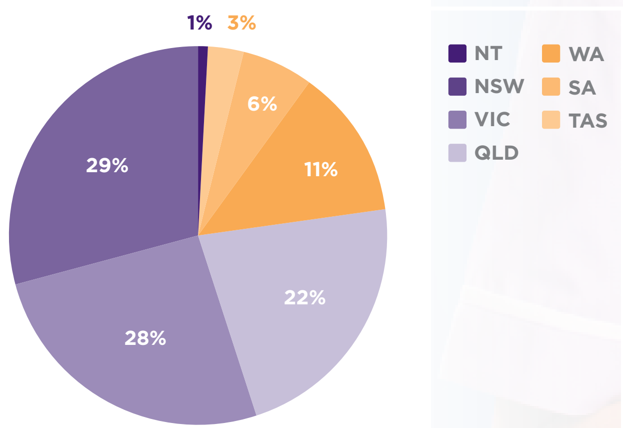
HOSPITAL PHARMACY – A NATIONAL FOCUS

- Pharmaceutical hospital wholesaling market exceeds $3.3bn*
- Cemented our Victorian base business
  - approximately 20% market share
- Listed as a supplier on the New South Wales Health Pharmaceuticals Tender
  - over 130 accounts established with 30 already trading consistently
- People and infrastructure in place in Western Australia and Queensland
- Annual sales above $200+ million



Market Size by State

*Source: IMS MAT February 2017

EXTENDING OUR REACH IN ASIA

- Launched 6 June 2016, partnering with Azoya
- Sales to China have more than doubled initial expectations
- Ready to launch into Hong Kong

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OUR NEW IDENTITY

- Changing to better reflect our business and our strategy
- Subject to shareholder vote at AGM on 3 May 2017
- Will also change ASX code from SIP to SIG on 4 May 2017

Sigma Healthcare

Connecting health solutions

OUTLOOK

MARK HOOPER, CEO AND MANAGING DIRECTOR

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SUSTAINED PIPELINE OF GROWTH

	Performance Drivers	FY 2017	FY 2018	FY 2019	FY 2020
Core Business	Organic Growth	✓	✓	✓	✓
Business Improvements	DC optimisation program			✓	✓
	Project Renew		✓	✓	✓
	Improved retail compliance and buying programs	✓	✓	✓	✓
New Business	Hospitals/3PL growth	✓	✓	✓	✓
	Acquisitions and expansion into adjacencies		💡	💡	💡

Deliver at least 5% per annum EBIT growth*

Delivered 12.3% EBIT growth*

*Underlying

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OUTLOOK

- FY18 - Maintaining Underlying EBIT growth expectation of at least 5%, off a bigger base
- Given ongoing investment in business improvements, growth profile likely to be weighted to second half
- Non-PBS revenue / earnings will continue to be the driver
- ROIC will remain strong but we are comfortable diluting for the right investments including infrastructure
- High Dividend Payout Ratio expected to be maintained/10% buy back option refreshed

THANK YOU

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APPENDIX 1 – ROIC RECONCILIATION

$m	31/01/15	31/07/15	31/01/16	31/07/16	31/01/17
Net Assets (as per Balance Sheet)	573.0	550.1	553.7	551.0	538.6
Less:					
Cash and cash equivalents	-34.3	-45.6	-17.4	-40.8	-24.4
Add back:					
Interest bearing liabilities[1]	0.6	60.5	74.1	96.0	33.2
Capital employed	539.3	564.9	610.3	606.2	547.3
Rolling 12 months EBIT	78.4 [1]	86.1 [1,2]	89.1 [1,2]	96.4 [1,2]	92.0
Underlying ROIC[3]	14.5%	15.2%	14.6%	15.9%	16.8%

[1] EBIT excludes acquisition expenses
[2] EBIT excludes acquisition expenses, loss on recognition of contingent consideraacquisitions, amortisation of other intangibles associated with prior year acquisition and includes share of EBIT of equity accounted investees
[3] Underlying pre-tax ROIC is based on the last 12 months of earnings (EBIT) excluding one off litigation settlement expenses before tax and earnings from non-controling interest.

APPENDIX 2 – REPORTED TO UNDERLYING RECONCILIATION

Financial performance

The Group consolidated net profit after tax (NPAT) for the year ended 31 January 2017 of $53,184,000 was up 5.3% from the prior year ($50,502,000).

	31/01/17 $'000	31/01/16 $'000
Reported NPAT attributable to owners of the company	**53,184**	50,502
Add back:		
Litigation settlement expense after tax	7,958	-
Provision for doubtful debtors - single pharmacy group	5,783	-
Additional contingent consideration from prior year acquisitions	-	7,784
Amortisation of other intangibles acquired	-	940
Underlying NPAT	**66,925**	59,226

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APPENDIX 2 – REPORTED TO UNDERLYING RECONCILIATION

	31/01/17 $'000	31/01/16 $'000
Reported EBIT	**80,955**	80,071
Add back:		
Litigation settlement expense after tax	11,368	-
Provision for doubtful debtors - single pharmacy group	8,262	-
Additional contingent consideration from prior year acquisitions	-	7,784
Amortisation of other intangibles acquired	-	940
Share of EBIT of equity accounted investees before tax	-	300
Underlying EBIT	**100,585**	89,095
Less: Non-controlling interests	(357)	79
Underlying EBIT attributable to owners of the company	**100,228**	89,174